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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1975

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No. 75-422

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INTERNATIONAL ENGINEERING COMPANY, a Division of A-T-O, INC., *Petitioner*

v.

JAMES R. SCHLESINGER, Secretary of Defense, ET AL., *Respondent*

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**On Petition for a Writ of Certiorari to the United States Court of Appeals, District of Columbia Circuit**

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## BRIEF OF THE NATIONAL SECURITY INDUSTRIAL ASSOCIATION AS AMICUS CURIAE IN SUPPORT OF THE PETITION

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### PRELIMINARY STATEMENT

This brief is filed by the National Security Industrial Association (hereinafter NSIA) as *amicus curiae*, pursuant to the written consent of the Petitioner and Respondent which are on file with the Court. NSIA is a non-profit association of approximately two hundred fifty American industrial and research companies.

Its membership includes both large and small companies providing products and services to the United States Government.

## OPINION BELOW

The opinion of the United States Court of Appeals for the District of Columbia Circuit is reported at 512 F.2d 573 and is also reproduced in Appendix A of the Petition for a Writ of Certiorari. There were no dissenting opinions. The opinion reversed a decision of the United States District Court for the District of Columbia reported at 367 F.Supp. 640. The Court below remanded to the District Court to vacate a preliminary injunction that had been issued by that Court. The Court below found that the District Court lacked subject matter jurisdiction of the controversy.

## QUESTIONS PRESENTED

The controversy involves whether the threatened disclosure by the Air Force of technical information of a proprietary character may be enjoined under the Administrative Procedure Act, 5 U.S.C. § 701 *et seq.*, (1970) where the right to disclose is alleged to have arisen under a contract between the Parties and the submitter of the data disputes the existence of that right.

The Court below characterized the issues as sounding solely in the law of contracts related to a unilateral decision of a Contracting Officer as to the application of the Rights in Data Clause of the contract. The Court below concluded that jurisdiction to afford relief as to such disputes arose exclusively under the Tucker Act, 28 U.S.C. § 1491 (1970). The Tucker Act provides that action upon contract matters be com-

menced in the Court of Claims. District Court jurisdiction under the Tucker Act is concurrent with that of the Court of Claims, since the Court of Claims is without the inherent power to grant injunctive relief, the District Court could not do so. The Court, therefore, found that the sole avenue of relief available to the Petitioner was a post-disclosure remedy in monetary damages for breach of contract by action in the Court of Claims under the Tucker Act.

The opinion below forecloses government contractors from an injunctive remedy in such circumstances which would be generally available to them under the common law. Underlying all of the issues, therefore, is the basic question of whether the peculiar immunity of the sovereign is intended to permit it to take actions in the guise of the exercise of a contractual right which, if taken by a private citizen, would be subject to injunctive relief in an appropriate case.

The questions involved include the following:

1. Is the Tucker Act the exclusive source of remedial jurisdiction for the breach by the Government of a contract for which breach monetary damages are not an adequate remedy to preserve the property interest involved?

2. If 1 above is answered in the affirmative, was the Court below correct in characterizing the issues in the controversy at bar as constituting solely a contract dispute?

3. If the question in 2 above is answered in the negative, does jurisdiction to enjoin the threatened disclosure by the Government exist under the Administrative Procedure Act?

## THE STATUTES AND CONTRACTUAL PROVISIONS INVOLVED

1. The Act of June 25, 1948, 62 Stat. 940 (The Tucker Act), 28 U.S.C. § 1491 (1970) provides:

> "§ 1491. Claims Against the United States Generally; Actions Involving Tennessee Valley Authority
>
> The Court of Claims shall have jurisdiction to render judgment upon any claim against the United States founded either upon the Constitution, or any Act of Congress, or any regulation of an executive department, or upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort . . . ."

2. The Administrative Procedure Act is set forth in Appendix E to the Petition.

3. The applicable procurement regulations and contractual clauses are set forth in Appendix E to the Petition.

## THE INTEREST OF THE NATIONAL SECURITY INDUSTRIAL ASSOCIATION

The decision below threatens the effective nullification of a compromise between the Government and American Industry which was made in the interests of the public. By virtue of that compromise the Government has been able to obtain effective access to the Industry inventory of technological innovation represented by proprietary and trade secret data developed by Industry at the expense of its stockholders. Nullification of that compromise threatens to deprive the public of the innovative genius of our society at a time in the affairs of our nation when we can least afford to be second best in any area of national concern. NSIA was deeply involved in the formulation of that com-

promise, and therefore, believes it appropriate that it should become involved in the effort to preserve it.

The contract clause in issue is a verbatim implementation in the specific contract of a regulatory plan [1] in the formulation of which NSIA played a material role.[2]

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[1] Section 7 of the Armed Services Procurement Regulation (ASPR) from whence the contract clause ASPR 7-104.9(a) was taken does not establish procurement policy. Section 7(a) merely collects in one place standard, contract clauses which are to be used when applicable. Policy regulating where such clauses are to be used and their intended function and applicability are contained in other Sections of the ASPR, in the case at bar, in the provisions of Section 9, Part 2 and more specifically ASPR 9-202 and 9-203. Comparison of the contract language prescribed by ASPR 9-203(b) with that contained in the standard, specific contract clause in ASPR 7-104.9(a) reveals that the source of the standard clause is the language prescribed by the regulation.

[2] *See e.g., Hearings Before Subcommittee No. 2 (Proprietary Rights and Data) of the House Select Committee on the Problems of Small Business*, 86th Cong., 2d Sess. (1960). Testimony of G. C. Bannerman, then Director of Procurement Policy, Office of the Assistant Secretary of Defense (Supply and Logistics) at p. 139. Mr. Bannerman stated:

> "Before we issue segments of the 'Armed Service Procurement Regulations' that have a significant impact on industry, and clearly this one did, it is our normal practice to coordinate the work that we have prepared with industry through usually a variety of industry associations. For instance, this policy was co-ordinated through not only the Strategic Industries Association . . . but also the National Security Industrial Association, the automobile manufacturers, the electronics industry, machinery and allied products industry and a number of others.
>
> . . . .
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> The data section of ASPR was thoroughly coordinated over a period of years before it was issued, and even after it was issued in 1957 we found changes that we thought needed to be made to protect some of the interests that have been discussed in these hearings, and I am sure you know, as we discussed the changes made in 1958, to sharpen this up. We are willing and ready to make additional revisions, but we have not had general criticism of this policy in the intervening year and a half."

That regulatory plan was painstakingly evolved over two decades of Government-Industry dialog. The content of the contract clause is not, therefore, the product of specific negotiations conducted between Petitioner and Respondent with respect to this particular contract. Consequently the issues presented have an origin and impact beyond the parameters of the intention of these particular parties in this particular contract. The issues involve the threatened expropriation by public disclosure of proprietary technical information of Petitioner which was submitted to the Government under restrictions contemplated by the procurement regulations which, if honored, would render such disclosure wrongful. While it is true that upon one level the issues involve a breach of the particular contract, it is also true that they involve a breach of an Industry-Government compromise reflected in regulations governing overall procurement policy in these regards. The issues raise vital aspects of governmental integrity and ability to effectively honor the commitments which it has made to its citizens. Those who deal in the marketplace recognize that good faith and integrity are vital elements in the willingness of others to continue to do business. The issues cannot properly be understood in all of their ramifications apart from the historical background in which they arose.

In essence, the conflict between Industry and Government over the matter of the right to acquire and use privately developed proprietary technical data arose in the context of the pressure of historical events of dramatic impact upon our society. As the conflict of ideologies evolved, it became increasingly apparent that

the need of the Government to procure a broad spectrum of goods and services, particularly in the area of national defense, would become a permanent and ever-increasing part of the American social and economic scene. Congress properly mandated that such procurement be accomplished to the maximum extent possible by the process of advertised bidding. 41 USC § 252(c) (1970); 10 USC § 2304 (1970). In doing so Congress demonstrated its firm belief that the free enterprise system and its essential premise of free and open competition would produce the best products and services at the lowest cost to the taxpayers. In order to comply with this Congressional mandate to employ and expand competitive procurement, it was necessary for the Government to be able to evolve Government specifications and drawings for the products it needed and to disseminate them to as broad a base of qualified bidders as possible. This procedure permitted bidders who had not previously produced the product involved to nonetheless offer to do so based upon the detailed information furnished to them by the Government. The Governmental objective, therefore, was to acquire or develop the detailed technical information it required free of any restrictions upon its use in specifications and drawings which could be publicly issued in connection with advertised procurements. "Competition" for Governmental purposes as purchaser was measured by the number of qualified bidders it could obtain for the manufacture of the goods and performance of the services it required.

"Competition" from the Industry standpoint as sellers necessarily had a different context. For Industry "competition" meant beating competitors in the market

by lawful means. The essence of such lawful means was the skill, ingenuity, and innovativeness of the particular company. If it could build a better product than its competitors at an equal or lower cost, it would necessarily outsell such competitors. To obtain such a position companies were constantly investing the funds of their stockholders in research and development. Since reduction of cost and improvement of existing products were objectives as well as the development of new products, much of the tangible results of that investment were in the nature of unpatentable material. Nonetheless, both the companies and the law, *see e.g., Kewanee Oil Company* v. *Bicron Corporation,* 416 U.S. 470 (1974), recognized the substantial economic value of this body of proprietary assets. "Know-how" in the techniques and processes of manufacture, utilization and processing of raw materials and similar areas, often developed at substantial investment of time and money, frequently was the foundation of the superior competitive position of many companies.

It was inevitable, therefore, that these two opposing views of the essence of "competition" would come into conflict. The Government could not "re-invent the wheel" in order to achieve expanded competitive bidding. Industry refusal to surrender its proprietary know-how in "wheel-making," developed at the expense of its stockholders, was also urged in terms of the premises of fostering "competition." As the Government demand for the acquisition of unlimited rights to all the technical information which it would require to accomplish future advertised procurement increased, the resistance of Industry to furnishing such data with such

unlimited rights similarly increased.[3] In essence, unlimited rights are the equivalent of ownership. Limited rights, in essence, permit Governmental use but not public disclosure and use. It became apparent that a uniform and published procurement policy was required in this vitally important area. The Department of Defense, although starting such efforts in 1955, ultimately issued the first truly definitive such policy regulations in 1958. Those regulations were published as Section IX, Part 2 of the Armed Services Procurement Regulation (ASPR).

Growing Industry dissatisfaction with that regulatory policy erupted in open dissension by 1960. Although the problems were complex, in essence they centered about two primary issues. The first was the complaint that Contracting Officers and other procurement officials were demanding the submission of proprietary data with unlimited rights even in circumstances where the regulations stated that no such demands should be made. The second was the complaint as to the regulatory definition of "proprietary data" which was either not to be demanded or, if required, was to be either purchased at a negotiated price (where needed for future competitive procurement) or furnished under "limited rights" (where needed only to facilitate the operation and maintenance of the pur-

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[3] *See e.g.*, Howland, *Technical Data and Patents Under Government Contracts*, 1963 INSTITUTE ON GOVERNMENT CONTRACTS, SOUTHWESTERN LEGAL FOUNDATION, at 103 (Commerce Clearing House, Inc., Chicago 1964); *see also*, COMPTROLLER GENERAL DECISION, RULES OF LAW ON TECHNICAL DATA, at 1 (Machinery and Allied Products Institute (Library of Congress catalog card number 72-164978) 1971); *Hearings before Subcommittee No. 2 (Proprietary Rights and Data) of the House Select Committee on The Problems of Small Business, supra* note 2.

chased equipment by the Government). *Hearings Before Subcommittee No. 2 (Proprietary Rights and Data) of the House Select Committee on The Problems of Small Business, supra* note 2. The definition of "proprietary data" excluded many concepts, techniques, processes etc. which could be discovered by technical analysis, *i.e.*, "reverse engineering." Industry complained that the issue was not whether a competitor *could* discover the proprietary asset by investment of the same time, ingenuity and money as the originator thereof but whether the competitor had, in fact, done so. Its complaint was that the regulatory definition had the effect of prejudicing the innovative company by transferring its proprietary assets free of charge to competitors while the originator had to either absorb the costs of the development of that asset or include them in its price whereas the competitor had no such costs to recover. These serious complaints were brought to the attention of Congress in March of 1960 in hearings before a special subcommittee of the House Select Committee on the Problems of Small Business. *See Hearings, supra* note 2.

The testimony of Industry and Government witnesses at the hearings, among other things, convinced both parties that the existing regulatory plan required reconsideration. It also introduced into the concepts to be considered that of determining the nature of the rights in technical data to be acquired upon the basis of which party had paid the costs of developing such data rather than whether it was "proprietary" in the terms of a definition as to which no consensus of opinion could be achieved.[4]

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[4] The Industry proposal to that effect is set out in the three concluding paragraphs of Appendix 13 to the transcript of the Congressional Hearings, *supra* note 2. The Government recogni-

Subsequent to the hearings Industry and Government entered into a continuing dialog upon the formulation of a new regulatory policy. NSIA, for its part, established a special Task Group to interface with the Department of Defense in the study of the problem. All of the leading associations representing Industry also participated. As a result of Industry-Government meetings during November and December 1960, the Department of Defense issued a new draft of ASPR Section IX, part 2. That draft adopted the concept proposed by Industry that all technical data developed at private expense be furnished with rights which limited its use to specific governmental purposes not including use for reprocurement and which prohibited its general public disclosure.

The problems of product improvement contracts arose. Such contracts would involve government funded research and development as well as the delivery of the improved product. In the course of such contracts it was conceivable, indeed, probable that the contractor would incorporate components or processes in the de-

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tion of the possible utility of such an approach is foreshadowed in the following remarks of Mr. Bannerman appearing at p. 134 of the transcript:

> "I would like to say that it may well be that where all we want data for is for maintenance purposes, as distinguished from reprocurement or manufacturing purposes, we may find out that we have got to provide some way of getting that data with the limited right to use it. I am reluctant to do that for a variety of reasons, and one is that this places a limited right in the Government by contract with respect to a lot of data which, for the most part is not proprietary at all and I do not know that the Government ought to restrict itself in that respect.
>
> . . . .
>
> But nevertheless, it is certainly one possibility and one that will be thoroughly considered."

sign and manufacture of the end item which would be based upon proprietary technical data which it had previously developed at its own expense. The Government, having paid for at least some portion of the development cost of the improved product, both desired and was clearly entitled to the information necessary to permit the product to be competitively procured in the future. At the same time, the contractor should not be expected to forego the future exclusive exploitation of its proprietary asset by disclosure thereof to the Government with unlimited rights. The 1960 draft proposed that the only solution to this problem was that the contractor, at its election, either fund the product improvement developmental aspect of the contract at its own expense or sell to the Government its proprietary asset to be incorporated so that the entire data package would be furnished either with only limited or unlimited rights.[5] As will be seen, this "all or none" position was ultimately recognized not to be in the best interest of the Government and was modified. That modification is highly germane to the issues in the controversy at bar.

The 1960 draft did not meet with Industry approval and was withdrawn. The dialog between Industry and Government continued. A special subcommittee of the Defense Industry Advisory Council was established as the vehicle for this continuing dialog. A further draft

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[5] Memorandum of the Director of Procurement Policy, Office of the Assistant Secretary of Defense (Supply and Logistics) commenting upon the draft of the proposed new ASPR Section IX, Part 2 attached to the memorandum. The particular comment referred to appears at the top of page 4 of the memorandum which bears the date November 14, 1960.

was issued in May 1963 and also rejected.[6] Finally, in May 1964 the progenitor of the regulatory plan involved here was issued upon an optional trial basis. That plan was adopted as the new ASPR Section IX, Part 2 effective April 1, 1965.[7] The plan, as pertinent here, was that technical data developed at private expense would be generally furnished with limited rights only. That rule was modified in the situation where such data related to components and processes which were incorporated into an end item the overall development of which had been paid by the Government. In that circumstance data which revealed the contractor's proprietary design or know-how could be submitted un-

[6] Howland, *Technical Data and Patents Under Government Contracts*, note 3 *supra* at 123-126. Mr. Howland was the Chairman of NSIA Task Group No. 6 referred to in the text.

[7] *See* Addresses of the Hon. Paul R. Ignatius, then Assistant Secretary of Defense (Installation and Logistics) and the Hon. John M. Malloy, then Deputy Assistant Secretary of Defense (Procurement) before the Joint Department of Defense—NSIA Technical Information Symposium held at Los Angeles, California in July 1965. Pertinent excerpts from those addresses are published in DEFENSE INDUSTRY BULLETIN, August, 1965. In commenting upon the proposal that only limited rights be afforded the Government in technical data developed at the sole expense of the contractor Mr. Malloy stated (BULLETIN at pp. 15-18):

> "I consider that an outstanding contribution to a rational resolution of the rights problem is embodied in the concept that he who has paid the product development cost has the dominant interest in the rights in the technical data pertaining to that product . . . . Simply stated, if the Government pays for the development work, it is entitled to unlimited rights in that which is paid for. On the other hand, if the product is developed at private expense then the Government—with certain exceptions, such as 'form, fit and function' data—must be satisfied with limited rights if it orders technical data pertaining to such privately developed products, unless, of course, it negotiates for and pays for the data separately. This result is fair if it is understood and accepted by the Government."

der limited rights provided that the contractor furnished with unlimited rights, data as to the configuration of the proprietary components, the place and dimensions etc. wherein they fitted into the end item, and the functional and performance requirements the component had to achieve.[8] In that way the Government could still procure the end item competitively by utilization of the data which it owned together with specifying the details as to the proprietary components necessary for the bidders to evolve their own design for such components or purchase them from the development contractor or some other external source. The Government drawings would set forth the form, fit and function details as to such components but not the details of their design or manufacture. They would designate the development contractor's part number but provide that the bidders had the option of providing an "equal," i.e., a part of their own which met the form, fit and functional requirements specified.

This was the compromise of conflicting interests which was mutually evolved between Industry and Government over the years. That it was not entirely satisfactory to either party serves merely to corrobo-

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[8] Script of Department of Defense film entitled "Rights in Technical Data", comments of Mr. Paradis, pp. 6-7 explaining these provisions.

> "If ordered, technical data in the following categories shall be obtained with unlimited rights:
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> . . . .
>
> (b) Technical data necessary to enable manufacture by others of items (and performance of processes) developed under Government contracts in which experimental, developmental or research work was specified as an element of contract performance, except that data pertaining to components developed at private expense incorporated in the developed item is subject to limited rights, if the contractor furnishes with unlimited rights, what we call form, fit and function data."

rate its character as a compromise. It is upon that compromise that the contractual provisions of the instant contract are founded rather than upon a specific bargain fashioned by the individual negotiations and intentions of the parties. That compromise is essential to the recognition, protection and preservation of a socially and economically valuable property interest the nature of which is such that a single disclosure into the mainstream of commerce is tantamount to destruction of the interest itself.

The characterization of such issues as being solely related to a specific dispute under a specific contract, should it thereby bar a remedy adequate to preserve the overall compromise, is an oversimplification of dire consequence.

Because it was instrumental in formulating that compromise and in encouraging industry acceptance of it, NSIA considers that it is both appropriate and morally obligatory upon it to appear herein as *amicus curiae*. Its interest is not properly in the effect of the opinion below upon the individual affairs of Petitioner nor in whether the detriment to Petitioner is real or fanciful, minor or substantial. Its interest in the matter before the Court is in the rule of law pronounced by the Court below and its disastrous effects upon the government contract industry as a whole.

## STATEMENT

There is no need for NSIA to burden the Court with a detailed statement of the background of the case since that will be accomplished in the briefs of the parties.

The essential elements of the case can be stated briefly albeit in somewhat oversimplified fashion. The

Petitioner at its own expense had developed proprietary data of a trade secret character related to components developed by it for use in a guidance system. It proposed and ultimately entered into a contract with the Air Force to fabricate a "breadboard" system incorporating its proprietary processes and components; to test the system to demonstrate the improvements brought about by the use of is components, and to submit a Final Report stating the results of the tests. During the course of the contract the Air Force, stating that it required the information in order to properly evaluate the test results, requested Petitioner to furnish operational details with respect to the system being tested. The information requested included details of the mathematical equations and logic diagrams of Petitioner's proprietary components. Petitioner furnished the information in a special report not required by the contract. Petitioner placed a legend upon that report restricting its use and disclosure by the Government to disclosure solely within the Government and solely for purposes of evaluation. The use of such a legend is provided for in applicable procurement regulations, ASPR 9-202-3 which, in turn, are reflected in the provisions of the contract, ASPR 7-104.9(a).

The Air Force did not object to the legend upon the special report. However when that same data was included in the reports required to be submitted under the contract and the Petitioner utilized a similar restrictive legend upon those reports related to the portions thereof disclosing the proprietary data, the Air Force objected. Ultimately the Air Force, without affording the Petitioner the opportunity to test and evaluate the propriety of its support for doing so, determined that the entire contents of the reports, in-

cluding the proprietary data, were its sole property in which it had unlimited rights of disclosure and use. Public disclosure became imminent through the transmission of the reports to the Defense Documentation Center, a Department of Defense activity which disseminates information and documents to the general public including competing defense contractors.

Petitioner commenced action in the District Court seeking a preliminary and permanent injunction against disclosure of the proprietary data. The Government moved to dismiss the action for lack of jurisdiction. By memorandum opinion dated July 10, 1973 the District Court retained jurisdiction. The Court issued a preliminary injunction. The Government appealed. The Circuit Court reversed and remanded the matter for vacation of the injunction upon the ground that the District Court lacked subject matter jurisdiction.

## REASONS FOR GRANTING THE WRIT

### The Most Compelling Reasons of Public Policy Suggest That the Court Grant the Writ To Clarify That the Tucker Act and the Administrative Procedure Act Are Not Mutually Exclusive Enactments But Are Sister Statutes Intended To Provide Adequate and Meaningful Relief Against the Sovereign as Appropriate to the Circumstances.

#### 1. The holding below fails to recognize that the limitation upon the power of the Court of Claims to the granting of solely monetary relief does not arise because of limitations upon the waiver of sovereign immunity in that regard but as the result of a limitation upon the powers of that particular court as such.

We are faced with a situation in which a vital element of Governmental procurement policy deeply rooted in the public interest and evolved over two decades of Government dialog with American Industry

is threatened with nullification. That policy reflects a finely tuned balance between the need of the Government to have access to and use of proprietary technical information in the national interest and the fiduciary duty of the managers of industry to preserve proprietary assets developed at the substantial and continuing investment of stockholder funds.[9] A few companies, if faced with the legal proposition that they are powerless to prevent Government disclosure of their proprietary assets will withdraw from the Government market entirely. Many more companies will become increasingly selective with respect to their continued participation therein. That is a shocking but very real possibility.[10] Should it occur, substan-

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[9] Due to legal and other restrictions industry statistics upon the level of industry investment in privately financed research and development are not readily available. However, the Comptroller General conducted a survey of the 77 major companies involved in the defense industry alone. During the four-year period between 1968 and 1972, those companies expended two billion six hundred seven million dollars in privately funded research, development and bid and proposal costs. Based upon that study and expanding its scope to all companies involved in all types of activity, it seems fair to estimate that private investment in research and development involves an investment level well in excess of one billion dollars a year. COMPTROLLER GENERAL REPORT No. B-167034, April 16, 1973.

[10] In discussing the probable effect of such a situation the Commission on Government Procurement established by Congress under the Act of November 26, 1969, Pub. L. No. 91-129, 83 Stat. 269 stated:

> "[A]n inadequate system for safeguarding protectable data adversely affects a contractor's willingness to accede to the Government's requirements for data and the willingness of some firms to participate in Government procurement."

4 REPORT OF THE COMMISSION ON GOVERNMENT PROCUREMENT Pt. I, *Problems In Acquisition and Use of Data* at 129 (1973).

Similar concerns were recognized by both industry and government witnesses in the 1960 Congressional hearings upon the subject.

tial and irreparable detriment to the public interest will be the inevitable result.

The decisions of the Court below present a curious anomaly. That same Court was among the first to recognize the right of the owner of proprietary data submitted to the Government in a non-contractual context to enjoin its disclosure by action under the Administrative Procedure Act.[11] It here holds that the unilateral claim of a Contracting Officer of ownership of such data by virtue of his judicially unreviewed determination of a question of law is sufficient to divest the Petitioner of a preventive remedy to which it

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Moreover the testimony at those hearings emphasized the quandary of small, highly specialized businesses the economic survival of which may depend upon doing government business even at the cost of the expropriation of their proprietary assets. Larger companies with stronger commercial positions necessarily have greater freedom of choice and greater opportunity to be more restrictive and selective in their participation in the government market. *See, Hearings Before Subcommittee No. 2 (Proprietary Rights and Data) of the House Select Committee on the Problems of Small Business*, 86th Cong., 2d. Sess. (1960).

[11] In *Sears Roebuck & Co.* v. *General Services Administration*, 384 F.Supp. 996 (D.D.C. 1974) the District Court for the District of Columbia held that jurisdiction of an action by the submitter of proprietary data to enjoin its public disclosure by the Government existed under the Administrative Procedure Act. Partial summary judgment was granted to the Government. The plaintiff appealed and, in connection with that appeal, sought and obtained a stay of disclosure pending appeal. Subsequently the Court below vacated the stay previously granted by it in an opinion published at 509 F.2d 527 (D.C. Cir. 1974). It is significant that the Court below stressed the careful evaluation which it had made of the case and of the decision of the District Court which it characterized as "an extremely careful and thorough opinion." 509 F.2d at 528. One must conclude, therefore, that the Court below agreed with the District Court as to the bases of its jurisdiction in the matter.

would be entitled except for its egregious error in entering into a contract with the Government. Thus the Court below has relegated the vital aspect of adequate remedy, not to the existence or non-existence of the conflicting rights claimed, but rather to the uninstructive fact of whether or not the parties entered into a contract. In doing so it restores to the law of Government contracts a new form of the "tyrannical" power of Contracting Officers over a contractor's business which Congress saw fit to denounce, H.R. REP. No. 1380, 83d Cong., 2d Sess. (1954), and eliminate by enactment of the Wunderlich Act, 41 U.S.C. §§ 321-22 (1970).

Assuming *pro arguendo* that the decision of the Contracting Officer involves solely a determination of contractual rights which, if mistaken, constitutes merely a breach of contract, the question remains whether monetary damages are the Congressionally mandated exclusive remedy against the Sovereign for such breach.

The Court below has so held by implication. Examination of the bases of that holding, however, reveals some degree of doubt as to its accuracy. Nowhere in the express provisions of the Tucker Act is such a Congressional pronouncement found. That statute is addressed solely to "claims against the United States." It does not identify the claims intended as those seeking only monetary relief. Moreover it includes claims founded upon "any regulations of an executive department". 28 U.S.C. § 1491 (1970). Logically one might conclude that such claims are also under the exclusive jurisdictional umbrella of the Tucker Act yet the Court below has entertained an injunctive action under the Administrative Procedure Act with

respect to a claim of breach of such a regulation. *Scanwell Laboratories, Inc.* v. *Shaffer,* 424 F.2d 859 (D.C. Cir. 1970). What the Tucker Act does do, however, is to designate the Court of Claims as the forum in which action upon such claims shall be brought. As a matter of the historical origins of the Court of Claims, *see Glidden Co.* v. *Zdanok,* 370 U.S. 530, 552-558 (1962), rather than of express Congressional limitation upon the waiver of sovereign immunity, the Court of Claims lacks the inherent power to grant equitable relief. It might be argued that, in selecting such a forum for contract claims, Congress thereby by implication limited such waiver to actions for monetary damages. But why would Congress withhold injunctive relief in such matters when it is clearly recognized that in other respects, including the award of contracts, *Scanwell Laboratories, Inc.* v. *Shaffer,* 424 F.2d 859 (D.C. Cir. 1970), the Sovereign should be subject to injunctive remedy? Why should unilateral agency action in matters of contract have been considered by Congress any more sacrosanct than unilateral agency action in other respects subject to the injunctive remedies of the Administrative Procedure Act? It is respectfully submitted that Congress did not so intend.

Certainly it cannot be said that Congress contemplated that vital Government procurement activity could be disrupted upon a regular basis by a plethora of injunctions issued with respect to the decisions of its Contracting Officers. That conclusion of the Court below is eminently sound. The question, however, is the nature of the statutory device which Congress employed to prevent such a situation. The Court below held that such device lay in the case by case content

to be judicially given to the provision of the Administrative Procedure Act making it applicable to "agency action", 5 U.S.C. § 702 (1970). It would seem, however, that all Congress intended by that provision was to prevent the unauthorized and undirected conduct of a lower level government employee from being construed as the action of his agency. In that context it is indisputable that, in matters of contract, the Contracting Officer is not only an authorized person but the only person authorized to act for the agency. It is a strained interpretation of that provision and one fraught with potential ambiguity to stress the particular nature of the action in question as determinative of that particular statutory criterion.

It is respectfully submitted that the control device intended by Congress lies instead in the provision of the Administrative Procedure Act making it inapplicable where an "other adequate remedy in a court" exists. 5 U.S.C. § 704 (1970). The vast majority of contract disputes necessarily would involve matters for which damages in the Court of Claims under the Tucker Act would be a demonstrably adequate remedy. Moreover the granting or withholding of injunctive relief is addressed to the discretion of the Court. A demonstrated matter of paramount national interest and urgency would be a proper basis for the exercise of discretion to deny injunctive relief even where monetary damages would not generally be as adequate relief as an injunction. Contractors, faced with the substantial legal obstacles to the obtaining of injunctive relief, would not likely be encouraged to seek it when relief by way of monetary damages is both reasonably adequate and more easily available. It is proper to conclude that Congress intended that citi-

zens be afforded meaningful redress against the sovereign upon its contracts. Such redress includes injunctive relief where such is the only adequate and meaningful relief in the circumstances.[12]

If it be granted that the decision of a Contracting Officer constitutes "agency action," the issue becomes whether the remedy under the Tucker Act, necessarily to be sought in the Court of Claims, and for that reason alone limited to monetary damages, is adequate in the case of a disclosure of proprietary data. Consideration of the distinction between patents and proprietary data serves to demonstrate that such a remedy is wholly inadequate to preserve the property interest in such data.

The essence of patents is public disclosure. The property right in patents cannot be established without such disclosure. The essence of proprietary data is non-disclosure. The nature of the legal wrong in patents is infringing use. Such use damages the value of the patent but does not impair the basic property interest in it. The nature of the legal wrong in proprietary data is disclosure. Such disclosure as a practical matter, not only damages the value of the data but, far more importantly, is tantamount to destruction of the property interest in it. Once disclosure into the mainstream of commerce has occurred, the owner of proprie-

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[12] The progenitor of the present Tucker Act (24 Stat. 505 (1887)) provided that the Court of Claims has jurisdiction over all claims upon which " 'the party would be entitled to redress against the United States either in a court of law, *equity*, or admiralty if the United States were suable . . . .' " (emphasis added). *Glidden Co.* v. *Zdanok*, 370 U.S. 530, 556 (1962). Congress in the Administrative Procedure Act made the sovereign suable for injunctive relief in a court of equity.

tary data more often than not finds himself unable to establish that he was the unique prior owner. Even if he surmounts that obstacle he may not be able to establish the precise nature and degree of the damages he suffered by the wrongful deprivation of such ownership. Necessarily, since much of proprietary data, while innovative, is within the state of the prior art or otherwise unqualified for patent protection, the owner cannot be permitted to claim exclusive ownership against the world simply because he establishes in one action that the initial public disclosure of his data was wrongful. To do so would be to judicially create a patent which would not be obtainable under the statutes. The practical result is that disclosure, whether voluntary or wrongful, effectively destroys the property interest since it is no longer capable of continuing exclusive exploitation.

It is readily apparent that a remedy which does not even arise until after disclosure has, in fact, occurred is wholly inadequate to protect the property interest in proprietary data. In a case in which there is a dispute over the ownership of property which, if disclosed, will be destroyed, it seems appropriate that the Courts be able to temporarily preserve that property by injunction pending judicial determination of the conflicting claims of ownership in it. If, as is not the case here, substantial and urgent national interests would be frustrated even by such temporary restraint, then it is appropriate that the Court not grant such restraint and leave the purported owner to a remedy in damages however inadequate it may be. If, on the other hand, the claim of ownership of the party seeking to disclose is determined to be unfounded, then the status quo has been preserved and the vitality and value of

the property interest has been kept intact. Such a proper resolution is available in the common law. *See e.g., Kewance Oil Co.* v. *Bicron Corp.,* 416 U.S. 470 (1974).

Such a resolution is available against the Sovereign where the data in question was not submitted in a contractual context. *Sears, Roebuck & Co.* v. *General Services Administration,* 384 F.Supp. 996 (D.D.C. 1974).

There is no basis in law or equity why such resolution should not be available against the Sovereign simply because it claims ownership by virtue of conveyance under a contract where the complaining party disputes that such conveyance occurred. The Court should grant the writ to clarify that property interests of the type involved here can be preserved pending resolution of conflicting claims of ownership notwithstanding the context in which such claims of ownership arise.

**2. Conflicting claims of ownership based upon Procurement Regulations deeply rooted in the public interest should be addressed under the Administrative Procedure Act notwithstanding that they are presented in the context of a specific contract.**

As relevant here, the only contract language specifically negotiated between the parties is that contained in the Statement of Work. The Statement of Work, as relevant here, provides that the data to be delivered under the contract shall "define . . . the functions and operations of the major units of the system. . . . " Such language does not identify any specific data or any specific unit or component. In essence, it is nothing

more than a repetition of the language of the standard contract clause ASPR 7-104.9, ASPR 9-203(b):

> "3(b)(1) The Government shall have unlimited rights in:
>
> . . . .
>
> (iv) technical data pertaining to end-items, components or processes which was prepared for the purpose of identifying sources, size, configuration, mating and attachment characteristics, functional characteristics and performance requirements ('form, fit and function' data, *e.g.*, specification control drawings, catalog sheets, envelope drawings, etc.)."

The regulation governing *policy* in the use and application of this clause (ASPR 9-202.2(c)) provides in part:

> "(. . . *Neither the foregoing statement of data rights policy, nor its implementing paragraph (b)(1) and(2) of the Basic Data Clause in 9-203(b), establishes data requirements for a particular contract. . . . Contract clauses and the schedule establish the form and type of data to be furnished; the categories into which such delivered data fall, [and] determine the rights to be obtained by the government to use or publish such data).*" (Emphasis in the original).

Subparagraph (d) then proceeds to establish the procedure by which the parties will mutually negotiate, identify and categorize the data. Under that procedure the parties mutually identify the data to be furnished and list it specifically in the contract schedule. The parties then agree, as to each item of data identified, whether it is to be in the category of unlimited rights data (which would include form, fit and function data

*mutually agreed* to be such) or in the category of limited rights data.

There were no mutual negotiations by which the data in question here was either specifically agreed to be furnished or by which it was agreed that it constituted form, fit and function data. The Petitioner negated any implied agreement upon its part to that effect by submitting that data in a special report marked with a limited rights legend. If, indeed, the Air Force believed such data to be both required by the contract and data which was recognized to be unlimited rights, form, fit and function data, one would expect that it would have objected to its submission *at any time under any circumstances* under a limited rights legend. It did not do so. It was only when Petitioner made the logical but, in hindsight, serious error of also including such data in the report required by the Contract Statement of Work that the Air Force objected to the limited rights legend with respect to it. Thus, from the outset, the Air Force conduct was contradictory. Such circumstances constitute a tacit acknowledgement that its assertion of such ownership might be in violation of the procurement regulation requiring it to specifically mutually identify with the Petitioner precisely what data was required by the contract and precisely what rights the Government would be entitled to in the use and disclosure of that data. The inconsistency of the Air Force conduct demonstrates that its belated claim of ownership was founded entirely upon the provisions of ASPR 7-104.9, ASPR 9-203(b) reciting the standard language related to form, fit and function data. As noted, the regulations specifically provided that no claim of right in specific contract data may be properly premised upon the mere provisions of the Basic Data Clause itself. Such rights

must be specifically acquired in specific data by mutual agreement under the specific contract.

Such requirements are integral and vital parts of the regulatory plan evolved by Industry and Government to protect the proper and legitimate interests of each in technical data often, as here, involving proprietary matter of a trade secret character. Each of these requirements represents a procedure mutually intended to remove the acquisition of rights in such data from the purely unilateral decision of either of the parties. They establish ground rules whereby the government can obtain the data it needs and upon which the contractor can rely that he cannot be forced to furnish such data unless he agrees to do so either under circumstances of restricted use and disclosure or compensation for conveyance of such data satisfactory to him. None of these regulatory requirements were fulfilled here. Consequently the unilateral decision of the Contracting Officer to disclose the data in question constituted a threatened breach of procurement regulations. Framing such action in the context of a determination of the applicability of a contract clause is clearly erroneous where the regulations prohibit any such right from arising purely under such standard clause. Moreover it elevates form over substance with impermissibly detrimental impact upon the public interest.

Had the Court below properly recognized the issues as involving primarily a threatened violation of procurement regulations deeply rooted in the public interest, its own prior decisions would have compelled it to reach an opposite conclusion. *See e.g., Scanwell Laboratories, Inc.* v. *Shaffer,* 424 F.2d 859 (D.C. Cir. 1970).

This Court should grant the Writ to prevent the nullification of the compromise of Industry and Government

made in the best interests of the public and reflected in the regulations which the Government proposes to violate. Necessarily such conduct constitutes agency action of the most significant impact. Post-disclosure damages are wholly inadequate to prevent the destruction, not only of Petitioner's particular property interest, but of the carefully modulated compromise of private and public rights whereby the Government has been able to have access to the ingenuity and know-how of Industry.

## CONCLUSION

If the rule of law pronounced by the Court below must stand, industry must necessarily reassess the already substantially greater risks to business privacy involved in doing business with the Government. As a result, highly innovative firms with substantial commercial business may determine to become more selective in the Government's market. Ironically a conflict which was fostered by Government desire to increase the number of competitors in that market may very well produce a diametrically opposite result. Not only does a decreased number of competitors augur substantial increase in the cost of Government acquisition of the goods and services it requires, but the Government will be deprived of the benefits of the innovative technological advances made and to be made by the companies selectively retrenching from broad involvement in the Government market.

If Congress has not waived the immunity of the Sovereign to injunctive remedy in contract matters where appropriate, and if the controversy at bar is properly a contract matter, then redress must be sought in Congress rather than in the Courts. But where Congress has already provided adequate redress in

existing statutes it is the duty of the judiciary to properly apply such statutes to afford such redress. NSIA believes that the case at bar falls into the latter category and, therefore, urges the Court to grant the Writ to clarify the proper forum in which future redress must be sought; for adequate redress must be had in the interests of Industry, the Government and the Public.

For all of the foregoing reasons, the writ should be granted.

Respectfully submitted,

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